

PROPERTY OF
The AMERICAN OBSERVER

If free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. —James Monroe



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NOVEMBER 8, 1933

Roosevelt Launches Gold-Buying Policy

Reconstruction Finance Corporation by New Plan Fixes Price Daily for Purchases of Metal

ECONOMISTS IN DISAGREEMENT

Some Hold It Is Impossible to Boost Prices by Currency Manipulation

Financial history is in the making these days. Under the guidance of President Roosevelt the government has embarked on a new policy in relation to money. The writers of history in years to come will no doubt give space to the steps which are being taken by our government at this time. All of us may be deeply affected by these decisions as to monetary policy. It is highly desirable, therefore, that all citizens should understand the nature of the things which are being done. This is not an easy thing to do, for monetary problems are exceedingly complex. The matter may be cleared up, however, if we keep in mind what the president wants to accomplish, what action he is taking in order to accomplish that result, how he thinks this action will reach the desired ends, what big issue has arisen as a result of his action and what principal points are made by those who favor and by those who oppose the monetary policy which has been put into effect.

To Raise Prices

We get a good idea of what the president hopes to accomplish by taking notice of certain remarks which he made in the course of his radio address to the American people on October 22. He wants to raise prices. He says that the policy of the government has been to restore commodity price levels. "The object has been the attainment of such a level as will enable agriculture and industry once more to give work to the unemployed," he says. "It has been to make possible the payment of public and private debts more nearly at the price level at which they were incurred."

It is easy to see why the president wishes higher prices. Most people agree with him in this desire. A very large proportion of the people of the country, our farmers, business men, corporations, industrial organizations of all kinds, are in debt. They went into debt when prices were relatively high. Dollars were not worth as much as they are now—they did not exchange for as great quantities of goods. Since these dollars were cheap, they were relatively easy to get. People who had things to sell could get relatively large amounts of money for their goods.

Since then prices have fallen. A given quantity of goods exchanges for a smaller number of dollars. Another way to state this is to say that dollars have become more valuable. They exchange for more. Since they are more valuable they are harder to get. One who has goods of any kind to sell can exchange the goods for a smaller number of dollars. The man, then, who several years ago went into debt, agreeing to pay back a fixed number of dollars, finds it very much harder to pay that debt now than it would have been at the time the debt was contracted.

(Concluded on page 7, column 1)



NOW THAT WE SPEAK THE SAME LANGUAGE
—Darling in N. Y. HERALD-TRIBUNE

Poise and Mastery

Do you ever stop, when you are worried or irritated, to turn an analytical eye upon the object of your worry or irritation, to see just what it really means to you? Sometimes such an act of analysis may not bring immediate consolation. The object may really be big and menacing. It may threaten your security or happiness, not for a day, but for a year or a lifetime. In that case the offending circumstance must be further examined. Something must be done or planned, if possible, to lessen the impending danger. Your only satisfaction for the moment may be that which comes when thinking and fretting are transformed into positive action. But it is a reasonably safe assumption that few of our worries or irritations are of such a formidable nature. Unless we are blessed with an unusually calm and unruffled disposition we are likely to find ourselves upset at frequent intervals by incidents of no permanent significance whatever. We worry about small reverses, the effects of which are certain to wear themselves out in a short time. We are angered by acts which cannot possibly affect our well-being. We spend sleepless nights about possible developments which, if they occurred, would not alter our conditions to any considerable extent. When one is irritated by some happening, let him ask, "How will this thing which disturbs me so much today look to me next week or next month or next year?" In nine times out of ten, he will answer to himself that the event or the incident will probably be forgotten in a week or a year. It is an ephemeral thing—a passing incident. Some people are forever being deflected from the main course of their thinking and acting by these passing incidents. When some trivial unpleasantness is observed they react emotionally as if it were the most important thing in the world. And, since they react in this way, it actually becomes the most important thing in the world to them for the time being. Not only do they feel as if the thing mattered permanently but they may act that way. They are always being thrown off balance by little things. More fortunate are those who possess the rare but precious quality of poise. They do not spend all their time analyzing and evaluating happenings, but they learn to judge quickly the relative bigness of the various facts and incidents of which their environments are composed. They have definite objectives, long-time goals, and they measure the events of each day with these goals in mind. The things that really count, they give heed to. The trivialities, they treat as such. Poise of this kind is the essence of mastery.

Daladier's Cabinet Resigns in France

Chamber of Deputies Refuses to Approve Taxes and Economies to Balance Budget

FREQUENT CHANGES ANALYZED

Ministerial Crises Traced to Frenchman's Ingrained Individualism

France has just passed through another of her frequent cabinet crises. On October 24 Premier Edouard Daladier, after having been in office for nine months, was obliged to resign because the Chamber of Deputies—the lower house of parliament—refused to approve his proposals to balance the budget. M. Daladier had submitted a program calling for additional taxes and new economies to meet the estimated deficit of \$440,000,000 for 1934. The taxes would have included additional levies on gasoline and on the dividends received from stocks and bonds, and the economies would have involved a reduction in the salaries of civil service employees and in veterans' pensions.

The French System

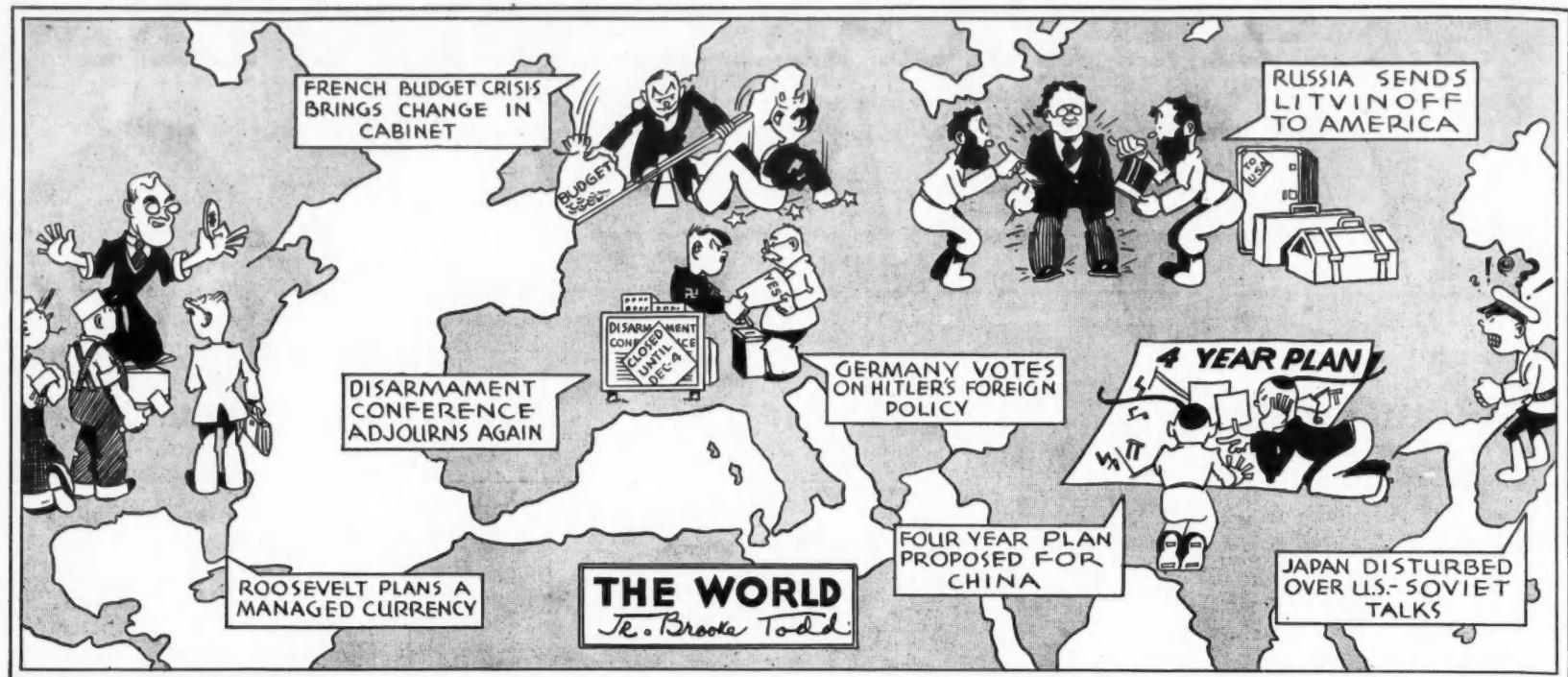
Despite Premier Daladier's warning that if the budget were not balanced France would have to abandon the gold standard and resort to inflation within a very short time, the Chamber balked and registered its disfavor by a vote of 329 to 241. The premier and his cabinet promptly resigned and France found herself faced with the task of finding a new cabinet and tackling again her stringent financial problems. President Lebrun called upon Albert Sarraut, a prominent newspaper editor and member of the same political group as M. Daladier. The situation, thus, is not much changed and it is believed that before long M. Sarraut will give way to another.

The question arises at this time as to why France has so many cabinet changes. Since 1871, when the Third Republic was founded, there have been more than ninety premiers in that country, while the United States during the same period has had only fourteen presidents. The life of the average French cabinet rarely extends beyond a few months and often is limited to several weeks. How does it happen that no premier can hold on to his power for more than a brief period of time?

Individualism

The solution to this problem is to be found in the composition of France as a nation and in the characteristics of the people. France, it is important to remember, is primarily a nation of small towns, villages and rural districts. There are few large cities. In consequence large-scale industries do not come into the national picture as much as they do in other countries. In France industry—and agriculture, too—is largely divided among small enterprises. It is the individual who counts rather than the corporation. The average Frenchman is content usually to operate his own little concern, or to till his own limited piece of ground. He works hard, saves his money, and looks forward to the day when he can retire on his *rentes*, his income, and turn his business over to his sons.

Thus, the small business man in France is a dominating influence. It is therefore



AROUND THE WORLD WITH THE AMERICAN OBSERVER CARTOONIST

natural that he should be jealous of his rights, jealous of his property. His one passionate desire is the preservation of his individual liberty. He is always afraid that the government is going to take some action which will deprive him of something which he considers rightfully his. The greatest sore spot is his pocketbook. The Frenchman has an energetic hatred of taxes which he believes are misused by the unscrupulous politicians. Any proposal for higher taxes, or for economies which will affect the revenue of citizens, is certain to arouse a strenuous protest.

It is this desire to be left alone, this yearning for safety in the enjoyment of his earnings and property, that makes the Frenchman so easily dissatisfied with his government. Constant dissatisfaction, in turn, breeds an infinite variety of opinions as to how the government should be run. It is thus impossible in France to align public opinion into two or more great factions as happens in the United States and Great Britain. The French are too individualistic to join in mass movements. There is, however, one exception to this rule. France is generally united on questions of foreign policy. Cabinets may change but basic foreign policies remain fixed. The reason for this is that French policy toward other countries is based on a desire for national security, safety for France, which corresponds exactly to the policy which each individual Frenchman has mapped out for himself. He wants to be safe himself and therefore he wants France to be secure.

If we bear these characteristics in mind we can understand why French cabinets are changed so frequently. Let us first see briefly how the government is organized.

Political Set-up

France is, of course, a republic. There is a president, two houses of parliament and a cabinet of ministers. The president is unimportant since he is nothing more than a figurehead elected every seven years by the combined vote of the two chambers of parliament. The parliament is divided into a Senate and a Chamber of Deputies—an upper and lower house. Of these two the Senate is the least important. Senators are elected for nine-year terms by electoral colleges composed of various public officials in each of the departments—French territorial and administrative divisions. The chief function of the Senate is to act as a check on the Chamber of Deputies. It originates little legislation of its own but a law to be enacted must have its approval. Since they are elected for long terms, the senators are not overinfluenced by political considerations. They are usually older men and inclined to be conservative. The

Senate thus acts as a counterbalance to the Chamber of Deputies.

It is the Chamber which yields the greatest power in France. It consists of 614 deputies elected every four years directly by the people. Nearly all laws are first proposed and acted upon in the Chamber. This body, moreover, is the deciding influence in the life of the cabinet. The premier and his ministers must have the approval, the vote of confidence, of the Chamber of Deputies in order to remain in office. It is not necessary to have the same sanction from the Senate, although in practice a cabinet usually resigns if the Senate is hostile, because the Senate is in a position to veto legislation.

The Cabinet

The cabinet is similar to those found in other countries. The premier heads the group of ministers who act as chiefs of the various government bureaus while they are in office. The premier himself frequently takes charge of a government department in addition to his regular duties. Thus, a man may be premier and also minister of foreign affairs, or minister of war. This is not usually too great a burden for one man, because a cabinet minister rarely takes part in the administrative details of his department, which are generally handled by efficient under-secretaries who are not necessarily influenced by cabinet changes. When the Chamber has rejected a premier the president of the republic designates a man, who may be either a deputy or a senator, to form a new cabinet. The premier, in turn, chooses his ministers.

It might appear that in this way the president exercises an influence on French affairs, but it must be remembered that

the premier must have the continued approval of the Chamber of Deputies and therefore the president can only select a man who would be acceptable to that body. This is not an easy task, for the divided public opinion, referred to earlier in this article, is reflected in the Chamber of Deputies and also in the Senate. Just as it is impossible to group Frenchmen into several large opposing camps, so it is impossible to divide the Chamber and the Senate into several large divisions. In the Chamber there are fourteen different political groups and in the Senate seven. No one group, however, is ever powerful enough to control a majority of votes in either house. It is necessary to compromise, to govern by coalition. Thus we find that almost always a cabinet is composed of ministers belonging to different political groups. They are carefully selected in order to obtain the support of enough groups to have a working majority. But at any time a group may withdraw its support and cause the downfall of the cabinet. That this happens often is testified to by the number of cabinets France has had.

And if we look further we learn that opinion in the Chamber is even more divided than is indicated by fourteen separate groups. In France members of parliament do not belong to political parties in our sense of the word. Political elements in the Chamber are not bound rigidly by organizations. A deputy may belong to one group but he is perfectly free to change to another if he so wishes. He will not suffer by such action. Here again we see how strong a force is that French individualism of which we have spoken. In fact, some deputies have opinions which are so decidedly their own that

they do not belong to any group at all, and are listed as "not inscribed."

The groups embrace all the political faiths from communism to monarchism. They are arranged in the Chamber in the form of a great semicircle, the more radical groups being seated on the left, the more conservative on the right and the moderates in the center—hence the names Left, Right and Center. However, because a group calls itself radical does not necessarily mean that it leans far to the Left. Former Premier Daladier's group, for example, is called Radical-Socialist. It is a moderate liberal party—the party of Edouard Herriot. Group labels do not have much meaning in France.

It becomes clear now why France has so many cabinet changes. The various groups which must unite to support a cabinet, often disagree and the life of the cabinet is endangered if not terminated. M. Daladier's fall, for instance, was caused by the withdrawal of support by the Socialists who would not accept his budget proposals.

The New Premier

Premier Sarraut is likely to have the same difficulties as his predecessor. The budget remains unbalanced and the Frenchman's deep-seated resentment to taxes and economies presents a problem not easily solved. It is believed that M. Sarraut will only go as far toward balancing the budget as he safely can. Whether he can accomplish this job of tight-rope walking remains to be seen. And he must face an additional crisis brought on by President Roosevelt's gold policy. The United States' offer to buy gold in the world market is calculated to raise the price of the yellow metal. France will be affected because being on the gold standard, she has a fixed value on gold. But if America offers to pay more, people who have gold on deposit in the bank of France, will be inclined to withdraw it and sell it to the United States. If this goes on at a great pace and reduces too much the amount of gold in France, she may have to abandon the gold standard and her currency will depreciate in value as American dollars and British pounds have. Frenchmen are strongly opposed to this. They went through one depreciation after the war when the franc dropped from twenty cents to four. They lost correspondingly in their investments, particularly in the government securities which they possess in great amounts. France, therefore, is anxious to keep to the gold standard. It is believed that her resources will prove sufficient to withstand the drain caused by the Roosevelt policy. French financial circles, however, are admittedly uneasy, all of which serves to make M. Sarraut's position more difficult.



Courtesy Canadian Pacific
THE ARC DE TRIOMPHE IN PARIS

HE national government is buying about \$10,000,000 worth of automobiles for the army and various government departments. In other years the Ford Motor Company has always sold the government a great many cars. But President Roosevelt and General Johnson decided last week that the government would not buy any Fords this year because Henry Ford has not been friendly toward the NRA. General Johnson said that Henry Ford's son, Edsel, told him a number of weeks ago that the Ford Motor Company would never agree to a code that allowed workers to organize as they are allowed to under the automobile code. General Johnson also said that if he is shown concrete evidence that the Ford Motor Company is not living up to the terms of the automobile code, he will take legal action against the company.

Ford motor officials claim that the government is not adopting a fair attitude. They say that their company is paying high wages and is living up to the terms of the code. They criticize General Johnson for not waiting until their company breaks the rules of the automobile code before making an attack.

Anglo-German Quarrel

British-German relations were strained last week, when a British newspaper correspondent was arrested in Germany for reporting a storm trooper parade. He sent a news article to his paper in England, describing the parade as being of a highly militaristic character. This angered the German authorities and they placed the correspondent under arrest, stating their intention of trying him on the charge of "treason to the state." They claimed that he had violated recent German press laws—laws virtually abolishing freedom of press. British officials were outraged by the correspondent's arrest. The British foreign secretary, Sir John Simon, was said to have warned the German ambassador in London that his government would not tolerate any "farcical trial." Sir John insisted that the correspondent should be granted counsel of his own choosing, and that the British government should be furnished with full details of the charges against the correspondent.

It was predicted that the German government, in order to avoid stirring up too much ill feeling in England against Germany, would not take the case to court, but instead would expel the newspaper correspondent from Germany.

Chinese Airways

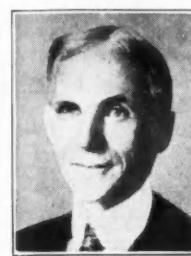
The distance between Shanghai and Canton, China, is just short of 1,000 miles. Much of the territory between these two cities is undeveloped. Traveling from one to the other is a slow process; so is the delivering of mail. As a means of speeding up transportation and mail deliveries, the China National Aviation Corporation has started a regular air service between Canton and Shanghai which will reduce travel time by days.

The China National Aviation Corporation is partly owned by the Pan-American Airways, which is the only aviation company operating commercial planes throughout North and South America. Later, the Pan-American Airways plans to join the American system with the Chinese airways by way of Alaska, Bering Strait and Siberia.

Steel Controversy

A short time ago the Roosevelt administration announced that the government would purchase \$36,000,000 worth of rails from large steel companies if these companies quoted low enough prices. The government then planned to sell these rails to railway companies on a long-term credit basis. The administration believed that such a plan would help the steel companies and their thousands of workers, and also be an aid to railway companies, enabling them to replace old rails now, paying for them at a later date when their business improves.

Everything went very well until Joseph B. Eastman, coördinator of transporta-



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HENRY FORD

tion, asked for bids from the four large steel companies: United States Steel Corporation, Bethlehem Steel Corporation, Inland Steel Company, Colorado Fuel and Iron Company. Strangely enough they all quoted him the same price of \$37.75. Mr. Eastman became suspicious. He charged the steel companies with having broken faith with President Roosevelt by "prior consultation and collusion" to fix the price of steel rails. Finally, however, the steel companies agreed to reduce their bids to \$36.37 a ton and President Roosevelt gave his approval to buy the rails at that price.

American Heads League Body

An American, James G. McDonald, has been chosen as high commissioner of the committee which was recently created by the League of Nations to lend assistance to German Jews and other European refugees. Mr. McDonald is chairman of the Foreign Policy Association in this country—an association which publishes reports on international affairs. He is well known in League circles and was one of the leaders of the movement to establish a League body for the aid of refugees.

Maxim Litvinoff

Maxim Litvinoff, Soviet foreign commissar, was expected to arrive in Washington November 6. While here he will confer with President Roosevelt and Secretary of State Hull regarding American recognition of the Soviet government. He plans to remain about a week and then return to the U.S.S.R.

Mr. Litvinoff's accomplishments of the last several years, particularly of this year, place him high in the ranks of world statesmen. He has negotiated treaties with nearly all of Russia's neighbors—treaties designed to assure peace between Russia and these countries. Moreover, he was one of the leading personalities at the World Economic Conference which met in London last summer. It was said at that time that discussions were being held between American delegates and Mr. Litvinoff on the question of recognition.

Government Housing Activity

There are only 944,202 American farm families which have water piped into their homes, according to the Department of Agriculture. The remaining 5,000,000 farms have little or no plumbing. And yet plumbing probably contributes more to the convenience and comfort of the homes than almost any other equipment.

Most city dwellings do not suffer from the lack of plumbing facilities but millions of these dwellings are said to be in such bad condition that they are hardly fit to live in. So it can be seen that much remains to be done before the average American citizen, whether he is on the farm or in the city, lives in modern, comfortable homes.

The national government in Washington realizes the need of better housing and it has been loaning millions of dollars to housing companies throughout the country. Last week, plans were laid for an extension of government housing activity when the Public Works Emergency Housing Corporation was established. Secretary of the Interior Ickes will be chiefly in charge of the Housing Corporation's policy. It will have about \$200,000,000 at its disposal to start with; later, probably a great deal more. It may equip, furnish, operate, manage and maintain homes and buildings of every nature.

Checking Foreign Imports

One of the chief points in the Roosevelt administration's recovery program is to raise prices. But in doing so the administration is compelled to take steps to keep cheap foreign products out of this country. Otherwise, these products, by selling at lower prices, would have an advantage over American products. So President

Following the News

tion, asked for bids from the four large steel companies: United States Steel Corporation, Bethlehem Steel Corporation, Inland Steel Company, Colorado Fuel and Iron Company. Strangely enough they all quoted him the same price of \$37.75. Mr. Eastman became suspicious. He charged the steel companies with having broken faith with President Roosevelt by "prior consultation and collusion" to fix the price of steel rails. Finally, however, the steel companies agreed to reduce their bids to \$36.37 a ton and President Roosevelt gave his approval to buy the rails at that price.

Roosevelt has issued an executive order to the effect that he will use the authority given to him by the National Recovery Act to check all foreign imports which endanger the recovery program. This action, of course, is contrary to the traditional democratic policy of low tariffs; but these are unusual times.

Liquor Taxation

One of the first important problems with which Congress will be confronted when it meets in January, will be liquor taxation. In levying taxes on distilled liquors it is generally considered desirable to strive for three goals: (1) to discourage the drinking of hard liquors, (2) to obtain the greatest possible revenue for the government and (3) to eliminate bootlegging.

A liquor study committee, financed by John D. Rockefeller Jr., has made a report which it believes will obtain the three desired goals. Briefly, the report recommends that every liquor manufacturer be made to pay an excess profits tax, that is, all above a certain amount of profit would be taken away from liquor manufacturers by government taxation. This would keep the price of alcoholic beverages low, since it would not pay a manufacturer to charge high prices because the government would take away the surplus profit. At the same time, the Rockefeller committee contends, this kind of taxation would insure the government of a maximum of revenue from the liquor industry.

In addition to the excess profits taxation, the Rockefeller committee would have the government place direct taxes on liquors. It would have higher taxes placed on hard liquors than on wine and beer, encouraging their consumption instead of hard liquors. However, the report maintains, the taxes on all liquors should be kept low enough so that it will not be to a consumer's advantage to buy from a bootlegger. Then, and then only, will bootlegging be wiped out, it says.

Loans to Corn Farmers

A step has been taken to aid corn farmers. The agricultural administration in Washington will loan them fifty cents a bushel on their corn, which is about the present market price for this grain. These loans will enable corn farmers to hold their present crops until prices of corn rise.

Not all farmers, though, may take advantage of these loans. Special farm legislation must be enacted in four corn-producing states—Nebraska, Missouri, Indiana and Ohio—before the farmers of these states are eligible to obtain loans from the government. The other five leading corn states—Iowa, Illinois, Minnesota, South Dakota and Kansas—already have the required farm laws.

Then, too, every farmer receiving a government loan must agree to the corn-hog production control program for 1934. They must promise to reduce their corn acreage by twenty per cent and to cut down the number of hogs they raise.

Gold Mining Booms

History may repeat itself and this country may witness a gold rush somewhat similar to the famous mad dashes for gold which took place during the last century. Ever since President Roosevelt announced over the radio on October 22, that the government would buy gold and would pay higher than the market price for it, mining camps in the West have been feverish with activity. Many of these camps had been lying idle for years because it was too expensive to mine the gold. But now that higher prices are being paid it is again becoming profitable to operate a gold mine. Thus a tremendous boom in this industry is expected.

Araki Asks Parley

General Sadao Araki, Japanese minister of war, recently proposed that Japan call a Far Eastern peace conference before 1935. He suggested inviting the United States, Great Britain, France, Holland, Russia, India, and Manchukuo to the parley. It is his opinion that these nations should get together and work out plans to stabilize peace in the Far East, also to reach preliminary agreements relative to

the next naval conference which is scheduled for 1935.

General Araki's proposal is taken by certain authorities to mean that Japanese invasion of China is at an end for the time being, and that Japan is anxious to get other nations to recognize the territory already gained as constituting a permanent situation. In return, these authorities say, Japan might be willing to make concessions at the naval conference.

It is not known whether General Araki's plan is approved by the Japanese government. He said that he had discussed the matter with only a few cabinet members. The general, however, plays a prominent role in Japanese government affairs.

Disarmament Conference

For the third time now the Geneva Disarmament Conference has shifted the date when it will meet. The latest plans are for the conference to open December 4. In the meantime every attempt will be made to bring Germany back into the conference. For it is realized that other nations will not agree to disarm unless Germany enters into some kind of an arms agreement with them.

Famous Actor Dies

Edward H. Sothern, long recognized as America's foremost Shakespearean actor, passed away October 28. He was seventy-three years old at the time of his death. In 1914 he married Julia Marlowe and together they toured the country, acting in Shakespearean plays. In 1916 President Wilson, Chief Justice William Howard Taft, and Colonel Theodore Roosevelt signed a scroll honoring them.

British War Debt

American and British war debt discussions were about concluded last week. Virtually no progress was believed to have been made. Although the debt negotiations have been carried on in the utmost secrecy, it was widely rumored that the English delegation attempted to reach a settlement whereby the British government's war debt obligations would be reduced to twenty-five per cent of the present amount. Such a reduction, however, was said not to be satisfactory to the American delegation. Pending an ultimate solution of the problem, the British government is expected to make another token payment on December 15 when the next installment falls due.

Novel Newspaper

A novel newspaper is being published in New York City. The limit of its vocabulary is 900 words. It is called the *American News* and is published by the Language Research Committee in that city.

The purpose of this paper is to aid foreign students who do not know much English to keep up with American events. The entire vocabulary can be taught in sixty lessons. And the smallness of the vocabulary is said not to limit the topics which can be discussed in the publication.

Pan-American Conference

Much importance is attached to the Seventh Pan-American Conference which opens in Montevideo, Uruguay, December 3. Secretary of State Cordell Hull is to head the American delegation. He is extremely anxious for closer trade relations among the various Pan-American nations. For several months he has been discussing the possibility of reciprocal tariff agreements with a number of Central and South American countries.

A movement is also underway to form an American economic block, which would result in a general lowering of tariffs among Latin-American countries. Chile, Argentina, Brazil and Cuba have endorsed this plan. The feeling is very strong that something must be done to enable countries to trade with each other once more, as it is felt that strangulation of trade has been one of the chief causes of the deplorable economic plight in which the peoples of the American continent find themselves. It is difficult to see how the United States could coöperate in a plan of this kind, however, because of the higher price level which has been and is being established by the government's recovery program.



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Feet of Clay

It has been the habit of the American people to give very great weight to what men of wealth have had to say. It has generally been assumed that if a man had ability enough to amass a fortune and to hold a powerful position in the industrial world, he probably had enough ability and information to lead him to sound conclusions about most any matter to which he turned his attention. And so we have listened to our bankers and business men when they have spoken about national policies, and we have listened to our own local business leaders when they have spoken about home town problems.

We shall, no doubt, go ahead listening to these business leaders, but perhaps with a little more discrimination. We know that many of them are reputable, honest and intelligent. The possession of wealth or industrial power is certainly no necessary disqualification. It does not indicate a lack either of prudence or of uprightness. But we have been rudely shocked out of the assumption that the "big fellows" are necessarily fountains of wisdom. We have been shocked out of the notion that they are at all times honorable and disinterested. We have seen them fail us so many times during the depression that we are somewhat on our guard.

New evidence of the shortcomings of great financial leaders has been brought to light by the Senate committee which is investigating certain practices of the financial institutions. Until his retirement, Albert H. Wiggin was head of the world's largest bank. As such he spoke with very great authority, but now we find that while head of the bank he speculated in the stock of the bank and made \$10,000,000—certainly not a very laudable example of business ethics. And this bank, which so many people trusted, granted him \$100,000 a year as a pension upon his retirement. Speaking of recent investigations of Mr. Wiggin and of Charles Mitchell, former president of another great bank, the New York *World Telegram* says:

These particular gentlemen were more or less typical of an American era. They were the natural products of our dog-eat-dog system of success. The truth is that in the late period of so-called prosperity a great many people—big and little, high and low—lived by the principle, "Anything goes, if you can get away with it."

The mere fact that Mr. Wiggin has been shoved out of his high office and has now given up his big pension is not highly important. Nor is the pleasing fact that Mr. Aldrich, Mr. Wiggin's successor in the Rockefeller bank, is shocked and desirous of effecting reforms particularly important.

Our financial system—as revealed by the crash and subsequent exposures—is too vast, complicated and rotten to permit complete reform from within.

Mr. Aldrich and other interested heralds of a new day in banking may be of help in assisting government officials to

prepare the laws and the enforcement machinery for a safe and honest financial system. But it is the government, and not private interests, that the public hereafter will hold responsible for keeping the money temples clean.

In banking of the future—as in other business—there will be both good men and bad. Either the government will see to it that those who handle other people's money are not crooks or gamblers or the government as a last resort will become the people's banker.

Are Teachers Citizens?

Do teachers have the right to enter actively into the public life? May they, outside the schoolroom, take part in civic activities as other citizens do? May they express their opinions freely in the case of controversial issues? Perhaps most people in reading these questions will answer in the affirmative, and yet the fact remains that teachers are frequently dismissed for doing no more than to take a part in public discussions which other citizens have as a matter of course. A teacher was dismissed recently in St. Louis for his active interest in a controversy of public importance. The St. Louis *Post-Dispatch* makes his dismissal the occasion to urge civic rights for teachers:

J. Clark Waldron, economics teacher, has lost his job at Beaumont High School because of his activities in behalf of the clothing strikers last summer. In his comment on the failure of the Board of Education to reemploy Mr. Waldron, Supt. Gerling said that his behavior brought St. Louis schools into opprobrium. On one occasion, while picketing a clothing firm, Mr. Waldron was arrested, but the case was dismissed next day for want of evidence. While stating his belief that Mr. Waldron's arrest was illegal, Mr. Gerling says "a school teacher has no right to place himself in a position inviting arrest."

We are unable to share Mr. Gerling's point of view. Since when has it become opprobrious for a teacher, or anyone else, to be an active participant in a labor dispute? It is a peculiar standard of decorum which decrees that a teacher must isolate himself from the actualities of life and must refrain from putting into practice his views on a highly important public question. What clothing strikers in St. Louis fought for, and, in the case of the men's clothing strike, are still fighting for, is recognition of their union—a principle embodied in the Recovery Act. Yet, in aiding them to obtain a legal right, Mr. Waldron is accused of bringing "unfortunate notoriety" upon the schools.

It is a false kind of respectability which is capable of such a phrase as that, and we protest against it. The Waldron dismissal is a blow to academic freedom. It serves notice on St. Louis teachers that their opinions and behavior, though wholly outside the classroom, are subject to censorship and punishment. That is an attitude from which, we believe, the Board of Education will be forced to retreat.

Roosevelt's Record

Here is a sizing up of President Roosevelt and his achievements from the Emporia (Kansas) *Gazette*. The editor of the *Gazette* is William Allen White, a Progressive Republican:

After seven months in the White House, Franklin Roosevelt is still going strong. A seven-months' honeymoon after inauguration is an unusually protracted period of bliss for any president. But for a president to be able to survive almost unopposed in the hearts of his countrymen during a time of turmoil and catastrophe indicates that the man has unusual qualities.

President Roosevelt is making good. He is running this government in the interest of the common man. President Roosevelt has surrounded himself with broad-minded, clear-sighted men. Most of his advisers know little politics. For the most part they are patriots rather than partisans. Step by step he has walked through this depression with a firm purpose toward a definite solution of the perplexing problems that have come upon mankind. It may not be the right way. He may or may not win. The forces at work to wreck the capitalistic world seem to be still operating and still undefeated. But Americans have the only leader in the world who is trying honestly, bravely, intelligently to get at the heart of the problem. He may fail and in his failure go down in the obloquy which overcomes statesmen who make the wrong guess and take a misstep. But until now, late October, 1933, Franklin Roosevelt has made a fine record. He has confused his enemies.

And probably has astounded his friends!

Work or Charity?

The Washington *News* points very sensibly to the desirability of making it possible for those who require relief to do useful work in payment for the help which the government gives to them:

A report by the U. S. Labor Department reveals that during the first half of this year in 117 areas covering 43,000,000 people, Federal and local government was called on to furnish 96 per cent of all relief. Private charity, for the time at least, seems to have failed.

Since aid for the nation's hapless poor is 96 per cent public business, let the official agencies avoid charity's shortcomings. There should be an end to grudging hand-outs, skimpy grocery orders, the many little humiliations that degrade those who happen to have lost their jobs. There should be less direct relief, more work relief; less giving and more hiring.

The Federal Emergency Relief Administration asks of cities, counties and states two things. Relief standards should not fall below \$15 per week for northern families nor below \$12.50 in the South. And wherever possible relief should be paid in wages instead of doles.

Many communities have adopted the work relief policy. Some are using imagination in projecting work that at once will be socially useful and fitted to the training of the jobless. In New York 52 formerly jobless doctors are employed in public health projects. Buffalo hires workless musicians by means of great popular symphony concerts. Chicago, Kansas City, St. Louis, Detroit, Miami and other cities are hiring en-



ANOTHER "BUY NOW" CAMPAIGN

—Talbot in Washington News

gineers, professional men, nurses, teachers and other white-collar people along with unskilled laborers in projects that add wealth and cultural enrichment to their community life. These cities are conserving the self-respect of their temporarily needy families.

Federal Relief Administrator Harry Hopkins says that one-half of the able-bodied heads of the 3,500,000 families on relief are working for wages. All of them should be.

Foreigners in Germany

The United States government protested vigorously some time ago when it became apparent that a number of Americans had been insulted and abused in Germany by Nazi enthusiasts. Bad feeling developed. The Hitler government, however, apologized to Ambassador Dodd and promised that the rights of Americans in Germany would be protected. The New York *Herald Tribune*, while convinced of the sincerity of the Hitler government in making these promises, doubts whether foreigners will ever be safe in a land which does not guarantee safety and relative freedom to its own people:

Throughout the past summer the Nazi régime in Germany has been exceedingly busy tendering apologies to American, British and other diplomats for a steady succession of outrages upon the persons, property or self-respect of non-German residents and travelers. For a time the new masters of the Reich showed themselves very reluctant indeed to punish their fanatical henchmen for displays of that brutal intolerance which the chiefs themselves had instilled into the Nazi rank and file. Just lately, however, they have begun to impose rigorous penalties upon such savagery and have supplied American and other envoys with copies of sharply worded instructions to party executives, Storm Troop commanders and police officials to put an end to this pestiferous and embarrassing hoodlumism. Within the last week the Hitler government has even tendered an apology to Moscow for the arrest and abuse of Russian journalists and has sought a resumption of "press relations."

The sincerity of these efforts to stop such manifestations of Hitlerism as ruffle foreign relations cannot be questioned. The German government has heard more about this matter from Germans interested in the tourist business and in overseas trade than from the interested diplomats. German agents abroad have also reported it hard to enlarge upon the charm of life under the Third Reich when the world is being reminded, by a running cable story of outrages, that travelers in Germany are nowhere absolutely secure from insult and violence. The long-view Hitler program for Germany lays heavy stress on the cultivation of British and American sympathy and moral support; and the part that these incidents have played in alienating the good opinion of the Anglo-Saxons is genuinely exasperating to the Nazi hierarchy.

It need scarcely be pointed out that this is just a partial homecoming of the Nazi chickens to roost. It may not be so plain to the masters of the Third Reich, however, that even the most stringent orders for discrimination in favor of outsiders cannot put a stop to their troubles or put the outsider wholly at his ease. As past experiences in countries like China and Russia have taught us, no traveler can ever be comfortably secure in a realm where any class of the natives is subject to terrorism and extralegal dragoonge at the hands of a cult or caste of privileged ruffians. The régime that would extend immunity to foreigners, while sanctioning medieval intolerance toward any native element, must either tag the former like licensed pets or provide the close police surveillance limiting freedom of movement that goes with extraterritorial privilege.

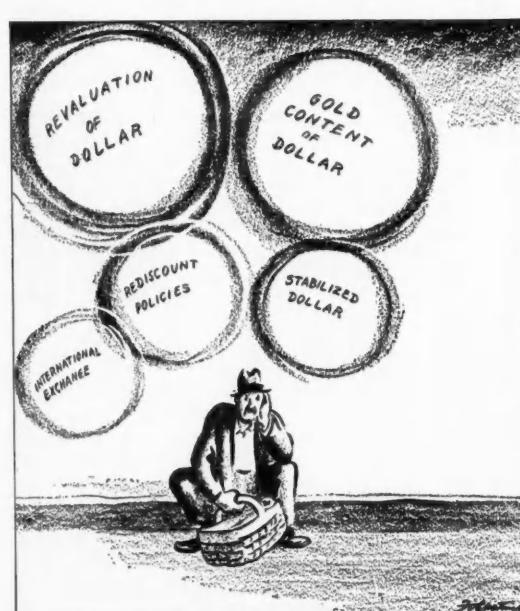
No lesser measures can possibly restore to the alien in Germany a real sense of security until the routine business of living has ceased to be a dangerous adventure for every German who is not, in his outward conformity to Hitlerism, a mechanically perfect automaton.

It isn't so much what you haven't as what the other fellow has that makes you miserable.

—William Allen White

There is now one auto for every five persons in the United States, indicating the supply of pedestrians eligible to be hit is running short.

—Omaha WORLD-HERALD



THE CLASS IN ECONOMICS

—Fitzpatrick in St. Louis POST-DISPATCH

Present-Day Europe Subject of New Book

Work of Mr. and Mrs. G. D. H. Cole Designed as Handbook for Intelligent Man

ABOUT a year ago a noted British economist, G. D. H. Cole, published a book entitled "A Guide Through World Chaos" which was immediately recognized as one of the best analyses of the causes underlying the world depression. Now Mr. Cole, in collaboration with his wife, has written a new book on contemporary Europe. It is called "The Intelligent Man's Review of Europe Today" (New York: Alfred A. Knopf, \$3.00).

The scope of this work is, indeed, ambitious. The Coles have undertaken to present to readers a sweeping view of the political and economic forces at work in Europe today, both as they affect each individual country and as they operate in Europe as a whole.

The first section of the book is devoted to a discussion of each European nation individually—a discussion rather statistical and encyclopedic in nature. The authors give enough information about the political developments in each country to enable anyone to follow more intelligently events which occur from day to day. They also review the economic set-up of each country, emphasizing such factors as population and industrial distribution.

The three-cornered struggle for supremacy among the dominant political philosophies of the present day—democracy, fascism and communism—is handled with extreme skill by the Coles, and constitutes a major contribution. The book is written with unusual clarity and precision. It is, in our opinion, almost indispensable as a handbook on contemporary Europe.

England's Greatest Queen

"England's Elizabeth" by Milton Waldman. Boston: Houghton-Mifflin. \$3.50.

IT is refreshing to find a book on Queen Elizabeth which does not revel in unearthing all the scandals and intrigues of her private life but which stresses and attempts to interpret the significance of the English sovereign's reign in terms of na-

tional achievement. Such an approach to the highly controversial subject of the Elizabethan rule is made by Milton Waldman in this work. Mr. Waldman sets out to analyze the major events with which Elizabeth dealt between the time of her accession to the throne in 1558 and the crowning effort of her reign thirty years later, the defeat of the Spanish Armada.

Needless to say, Mr. Waldman is sympathetic to the much calumniated Elizabeth—perhaps more sympathetic than historical data yet uncovered would justify. He is particularly harsh toward the cousin-queen, Mary of Scotland, and in few instances gives her the benefit of a doubt. In attempting any appraisal of Elizabeth, sixteenth-century rather than twentieth-century standards should be employed. Elizabeth was little better, and probably little worse, than her contemporaries—Philip of Spain, Catherine de Medici of France, and Ivan IV of Russia. Throughout this book, Mr. Waldman never strays from his central thesis that Elizabeth's entire policy was directed to transforming England into a united nation second to none.

Rural Justice

"Rural Crime Control" by Bruce Smith. New York: Institute of Public Administration, Columbia University. \$2.00.

THIS study is an interesting and valuable contribution to the all-important field of criminology. Pointing to the new rural conditions that have arisen as a result of the spreading of urban influences to the countryside through such media as the telephone, radio, moving picture, and the automobile, the author shows that the various phases of rural justice machinery no longer function effectively. Two major obstacles must be overcome—tradition, and the legal fortifications with which the state constitutions have surrounded the present rural system of justice.

Cafes and Boulevards

"Paris to the Life" by Paul Morand and Doris Spiegel. New York: Oxford University Press. \$3.00.

PAUL Morand is one of those rare individuals who have the ability to capture the spirit of a city and to set down their impressions in writing in such a way as to transmit the feeling to readers. He has already achieved universal recognition through his works on New York and Lon-

don. Now he comes into his own with a study of Paris and Parisian life.

No more delightful or profitable hours could be spent than by accompanying M. Morand on his literary excursion through the Paris of today. You will ignore the Louvre, the opera, and the places which "should be seen." But you will mingle with the somewhat grotesque figures that frequent Les Halles, the largest market place in the city. You will follow M. Morand to the cafes, the gardens and the street fairs. You will delight in his portrayals under "Priests, Monks, and Nuns." Credit for this book should be shared equally by M. Morand and Doris Spiegel, the American drawer who has done with the crayon what the French writer has done with words.

Back Country

"Lamb in His Bosom" by Caroline Miller. New York: Harpers. \$2.00.

THIS is the simple story of life and birth and death in the grim wilderness of Georgia before the Civil War. Far from the settled coast-town, scattered individuals settled their families in isolated clearings which they wrested from the woodlands with their own hands. There they remained month after month, tilling the soil and making for themselves practically all the necessities of life. Once a year, the men climbed into their oxcarts and made a wearisome four-day trip to the coast. They carried down their cotton, their brown sugar, their comb honey and their hides to trade for salt, gunpowder, "store-bought" cloth and gold or silver pieces. The women never went on such trips.

When a son married, his relatives and friends helped him to build a cabin, his father gave him an ox, and other presents were made so that the young couple could begin housekeeping. "Lamb in His Bosom" begins with such an episode. Cean Carver drives away with Lonzo Smith on their wedding day, leaving the home of her parents, to take up her life in a new corner of the wilderness some six miles distant. An even dozen children are born before Lonzo dies from blood-poisoning after having cut his foot with an axe. Cean marries again, the Civil War comes on, her new husband goes to fight, and the book ends with his return.

Caroline Miller has written this slow-moving account of pioneer hardship in beautiful and sympathetic prose. The book is more noteworthy for the picture it gives of the surroundings and the period rather than for an insight into the various characters. It is a novel to be read, however, and easily ranks among the best of the year.

Many of the experiences related in "Oil for the Lamps of China," which we reviewed in these columns two weeks ago, were taken from actual life. Mrs. Alice Tisdale Hobart, the writer, married a man who became connected with the Standard Oil Company in Manchuria, where a good part of the story takes place. Mrs. Hobart also gathered her material while accompanying her husband into other regions of China.



ELIZABETH

From the frontispiece of "England's Elizabeth"

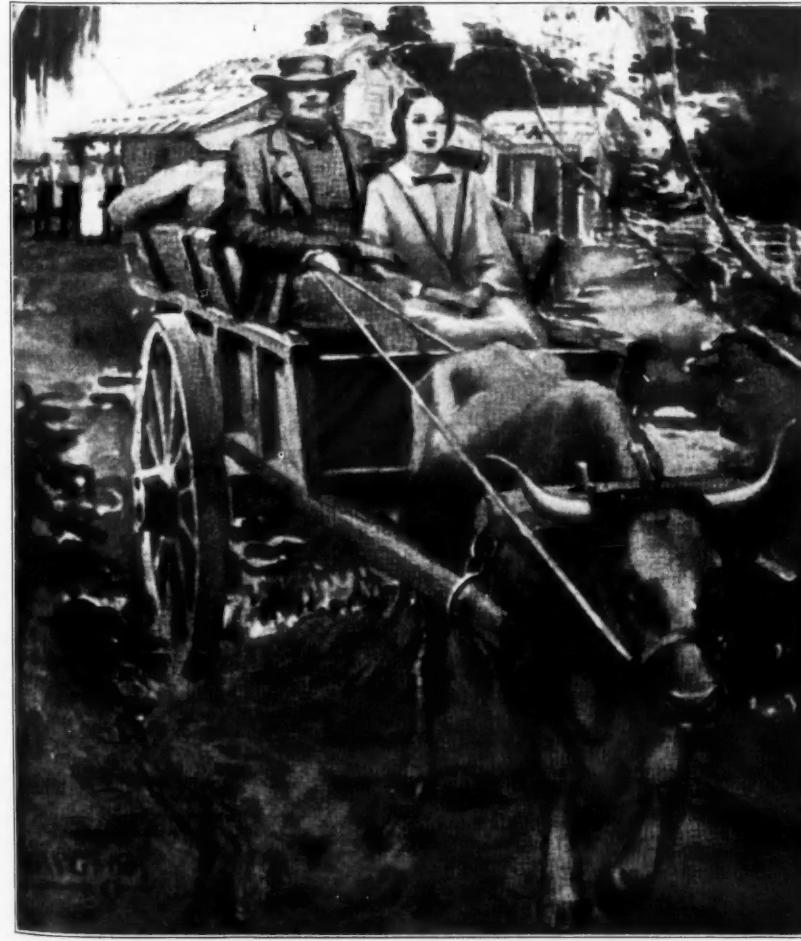
FROM CURRENT MAGAZINES

"What's Wrong with Our Cities?" by Edward M. Barrows. *Survey-Graphic*, November, 1933. The cities of the nation, confronted with diminishing income without a corresponding decrease in expenses, must either eliminate many of their services, such as schools, health departments, police and fire services, or reorganize their political machinery. The latter course is preferable since it will lead to greater efficiency, most of our local government practices having been established to meet pioneer conditions. Modern invention has made this system obsolete and wasteful so that a general overhauling is called for.

"Belgrade—Boom Town of the Balkans," by Louis Adamic. *Travel*, November, 1933. The capital of Jugoslavia is perhaps the most conspicuous example of a "boom" town in Europe today. Its population has increased about fivefold over the pre-war level. It may be destined to become one of Europe's important centers, especially if prospects for Balkan union of Jugoslavia, Bulgaria, Albania and possibly Rumania, are realized.

"Can Cuba Save Herself?" by Hubert Herring. *Current History*, November, 1933. The pivot upon which the future history of Cuba must necessarily turn is the policy and attitude of Washington. If the American government persists in its present nonintervention policy, Cuba may successfully achieve a social revolution. But if the United States intervenes—as the business communities in both countries hope—there is little chance of Cuba's setting up a better order.

"How the Arms Makers Work," by Vita and Joseph Friend. *Forum*, November, 1933. After giving a thorough analysis of how the leading armaments manufacturers in the various countries strive constantly to stir up war scares and engage in other activities to increase their sales, these writers suggest that, so long as the manufacturers are not curbed, there is little hope of success in the field of arms reduction. The most effective method of attack would be to nationalize the manufacture of munitions since this would remove the element of private profit and eliminate the incentive for propaganda.



FROM THE JACKET OF "LAMB IN HIS BOSOM"

Schools Ask Support in Education Week

Attention of Public Called to Difficulties Caused by Depression

Each year now since 1921, a week has been set aside to tell the public the story of the American schools. As American Education Week always includes Armistice Day, it will be observed this year from November 6 to 12.

It may sound strange that American Education Week grew out of the World War, but this is how it happened. When recruiting the soldiers for the American Army, the officers discovered that many of these young men could not read or write. Illiterate soldiers in time of war mean illiterate citizens in time of peace. Under a representative form of government, with every citizen entitled to some say as to the manner in which the nation shall be ruled, how can illiterate citizens discharge their duties of citizenship intelligently? These and many other facts were faced by the American Legion, the United States Office of Education and the National Education Association at the close of the war. Plans were laid to combat illiteracy. In order to keep the public informed of what schools mean to a democratic form of government, American Education Week was inaugurated.

Each year, therefore, this particular period is dedicated to focusing public attention on the importance of the schools.



Governors of the states through proclamation ask their people to observe the time in appropriate ways. The story of the American schools will be told in speeches over nation-wide radio broadcasts, through newspaper and magazine articles. Parents and friends will visit the schools to see them in everyday operation.

This year, the story which is to be told about the American schools is a disturbing one. It is a story of schools that are being shut down for lack of funds to keep them open, of teachers being underpaid or not paid at all, of attempts being made to restrict students to those who are able to pay tuition fees. In other words, it is a story of an emergency in education.

Little wonder, then, that the theme around which the observances of American Education Week will be built is—Meeting the Emergency in Education. Every effort will be made to show that the responsibility of the schools has increased tremendously during the depression. For example, graduates who are unemployed have come back for more learning; schools are being called upon to give greater health protection to their pupils at a time when many homes are unable to furnish nourishing food, warm clothing and adequate medical care. With these increased responsibilities, to say nothing of the regular work of the schools in developing intelligent citizens, a strong protest will be made during American Education Week against economies which threaten to curtail the activities of our schools.

The Italian dialogue for all foreign talkies imported into Italy must henceforth be made in Italy, according to a new decree issued by the government. This substitution of the Italian language for the English on films produced in this country is a rather expensive process involving the employment of a large number of individuals and the use of considerable material.



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THE OLD ORDER OF THINGS—A SLUM DISTRICT IN NEW YORK

New York to Erect Modern Housing Project on Site of Former Slum Area

One of the slums of New York City is to be transformed into a livable community. With the blow of a gold-tipped sledge hammer dealt by former Governor Alfred E. Smith, work was begun recently on clearing the worst slum area in Manhattan to make way for Knickerbocker Village, a model housing development that will provide sanitary, comfortable and pleasant living quarters for many families. A sum of \$8,075,000 has been loaned by the Reconstruction Finance Corporation to the Fred F. French Company to make such an improvement possible.

This disease-ridden and crime-breeding area that will soon be erased from the surface of America's largest city has a notorious history. It is the site of the famous "lung block" of the turn of the century, so-called because from the year 1894 to 1904, there came out of it 291 cases of tuberculosis. In one year, eleven deaths resulted from tuberculosis in a single tenement house and six in the next year from an adjacent building. Only two houses in the block have been free of the disease.

The site is in a densely populated section of lower New York. The precise block forming the future location of Knickerbocker Village was branded as "the worst in the city" by the New York City Tenement Committee in 1900. Five years later the tenement house commissioner declared: "I know of no tenement-house block in the city which is so bad from a sanitary or criminal point of view."

The buildings to be razed are mostly of

the five- and six-story walk-up type, and are from 50 to 100 years old. Filth and disease are bred in the buildings and in the narrow slot-like streets and courts between buildings. Many of the apartments are of three and four rooms, some without any outside openings of any kind. It is necessary for tenants to obtain drinking and sanitary water from faucets in the court in the rear of the building. Water and coal must be carried several flights of stairs to living quarters. Children, in many cases undernourished, are forced to play in streets in an environment which encourages waywardness and crime. Streets and courts are mere slots between buildings, and sunlight sometimes never is known to dwellers in the section.

Contrast this picture with that which in the future will be Knickerbocker Village. Two twelve-story apartment buildings containing 1630 apartments will be constructed of fireproof material, steel and concrete. Each building will be in the shape of a hollow square which makes place for a large interior court. Light and sunshine, therefore, will be insured for every apartment. The plot of ground between the two buildings will be made into a playground for children.

Most of the apartments will contain three-and-one-half rooms each, a combination room made up of a kitchen and dining alcove being counted as one and one-half rooms. A small number of four-and-one-half and five-and-one-half room apart-

(Concluded on page 8, column 4)



THE MODERN CONCEPT
Architect's drawing of the projected Knickerbocker Village development in New York.

Group Hospital Care Is Planned for D.C.

Under New Scheme Modest Monthly Payment Assures Surgical Attention

When the rich man goes to the hospital for treatment, he has money to pay the bill. When the poor man finds himself in a similar situation, the community welfare agency pays the bill. When the average worker runs into the need for hospitalization, he may or may not have enough saved from his modest income to meet the emergency.

With times what they are, and the average worker's income leaving him less and less margin for anything except everyday necessities, what is to happen when he or members of his family need hospital treatment? The chances are that they won't get it,—unless, for the first time, he looks to the community welfare agency for help.

It is with the idea in mind of helping the average worker provide, even with his "depression salary," for the time when he or members of his family may need hospital care, that a group of prominent Washingtonians headed by former Congressman Joseph H. Himes, are working on plans to put group hospitalization into effect in the nation's capital.

To begin with, a thorough study has been made of hospital records of the city for the past few years. From these studies, it has been determined how many persons in Washington could reasonably be expected to need hospital treatment in the next year. With these facts, and the records of the experience of a few other cities which have developed a form of group hospitalization in the last year, before them those interested in the plan worked out what they felt would have to be the cost to those participating.

Then Mr. Himes appointed committees to contact various groups to find out their feeling on the subject — government workers, teachers, store employee groups, doctors, hospitals, and so on. It was found that there was general approval of the idea, and that all the hospitals of the District of Columbia were willing to cooperate in making it a success.

It was decided therefore, to set up a nonprofit-making corporation to direct the plan. And the plan, it was agreed, should be group hospitalization in order to keep down administrative expenses, for each group whose members would want to benefit would thus be responsible for the details of collecting the fees of its own members for the general corporation.

A person who wants to benefit under the plan, would agree to join through his particular group. Although the membership fee has not been definitely settled, it will probably amount to about seventy-five cents a month. Then, if that person should need hospital treatment he could choose any hospital in the District of Columbia where for three weeks he would be able to remain free of charge. If he needed to stay longer than that, his rate after the three weeks would be subject to some reduction below that of the regular rate.

If at the end of a year, the group hospitalization corporation had more money from memberships than was needed to meet the expenses, then the members for the coming year would benefit in the form of reduced fees.

It is expected that group hospitalization in Washington will (Concluded on page 8, column 4)



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JOSEPH H.
HIMES

Roosevelt Launches Gold-Buying Policy

(Concluded from page 1, column 1)

It is, in fact, so hard to pay debts (now that prices are so low) that very many people find it quite impossible to pay their debts at all. They are driven to bankruptcy. This burden of debts is crushing millions of people, farmers and business men alike. That is the primary reason why higher prices are so greatly desired. For if prices are higher people who have things to sell, whether these things be goods or services, will get hold of more money and will find it easier to pay their debts.

Gold Purchase Plan

But how does President Roosevelt propose to raise prices? He is, of course, doing a number of things looking to that end. Several policies which the government has adopted have been designed to raise prices. That is one of the objects of the NRA, with its provisions for higher wages and shorter hours and for a limited amount of price-fixing. It is one of the objects of the public building program. It is the object of the agricultural act with its limitation of farm crops and its processing taxes.

But the president announced a new policy in his radio address, and that is the policy which we have under consideration this week. "As a further effective means to this end," he said, "I am going to establish a government market for gold in the United States. Therefore, under the clearly defined authority of the existing law, I am authorizing the Reconstruction Finance Corporation to buy gold newly mined in the United States at prices to be determined from time to time after consultation with the secretary of the treasury and the president. Whenever necessary to the end in view we shall also buy and sell gold in the world market.... We are thus continuing to move towards a managed currency."

This policy was immediately put into effect. The Reconstruction Finance Corporation began the buying of gold. It paid for this gold in paper dollars and it paid a higher price, in terms of paper dollars, than gold was selling for in the markets of the world. Since more paper money was offered for gold this meant a further depreciation in the value of our paper money, and in consequence our paper dollar declined in the foreign exchange market where it is compared with the value of foreign money. This naturally raised the price of gold. Gold was being exchanged for a larger number of dollars. To put it the other way around, dollars were being exchanged for a smaller amount of gold. This caused the dollar to fall in value when the value was measured in terms of gold. As a result, a dollar was worth less in gold.

Dollar Depreciation

Before the United States abandoned the gold standard, the dollar was made of 23.22 grains of pure gold. That is, anyone could take 23.22 grains of pure gold to the treasury and receive one paper dollar for it. In terms of paper money, therefore, gold was worth \$20.67 an ounce. Since last spring, however, when the government announced that it would no longer give gold for paper dollars, the dollar has depreciated in the markets of the world. First, it went down a few cents and then it declined more until it was worth only about seventy cents in terms of the currencies of countries which still converted their paper money into gold. In other

words, the price of gold, in terms of paper dollars, increased by about thirty per cent. It took thirty per cent more paper dollars to buy an ounce of gold than formerly. Before the president's recent announcement, gold was worth \$29 an ounce instead of \$20.67, the price formerly fixed by law. This is why it was said that the dollar was worth only seventy cents. People who owned gold, therefore, were able to receive almost nine dollars more for each ounce of gold than they could when we were on the gold standard.

A Further Step

Now, the government, through the Reconstruction Finance Corporation, has announced that it will pay almost \$32 an ounce for newly-mined gold. This is a further depreciation of the paper dollar since each paper dollar is worth still less in gold than it has been. The number of paper dollars that the government will give for each ounce of gold will be changed from day to day by order of the president and the secretary of the treasury.

The idea behind all this is that if you cheapen the paper dollar so that it is worth less gold, it will also be worth less

that prices will go up even though the quantity of gold does not increase, if a given amount of gold comes to represent a greater number of dollars.

Other economists deny this. They do not believe that prices can be raised by the method now being used by President Roosevelt. They do not think that they will necessarily be raised either by increasing the quantity of gold on hand or by making the existing amount of gold stand for a greater number of dollars. They do not think that prices of goods in general can be raised by cutting down the value of the dollar in terms of gold. Suppose, say these economists, that we do adopt a policy which makes the dollar worth less gold. Does that mean that the dollar will be worth less when it is exchanged for goods in general? Does it mean, in other words, that prices of goods will be higher? They answer this question in the negative. Here is their argument:

Will the Plan Work?

Prices are determined by the interplay of many factors and not solely by the gold value of the nation's currency, as maintained. When business is good, when the demand for goods is brisk, when a great

can secure the dollars with fewer pounds or francs or units of whatever currency they use. If they wish to buy an American automobile valued at \$1,000, they pay out gold enough to secure the \$1,000. If the dollar is depreciated, they can get the \$1,000 and the car more easily than if the dollar is not depreciated. Without depreciation, the Frenchman, for example, would have had to pay about 25,000 francs when the dollar was at its former level and now he would have to pay only about 18,000 francs in order to procure the \$1,000.

The decline of the gold value of the dollar may have an immediate effect of rendering the sale of goods abroad easier and thus of stimulating the export trade. It may thus increase the sale abroad of agricultural products like wheat, much of which is exported. The increasing foreign demand for these articles may create greater scarcity of the articles at home and thus raise the price of the goods in this country. That is why it is said that the cutting in the gold value of the dollar will raise the price of goods which enter into foreign trade, but that it may not raise the price of goods which are not sold to any considerable extent abroad.

Even this advantage—the advantage to goods entering into world trade—is likely to be a temporary one. If the price of the article in terms of dollars *does* rise, export trade may then be discouraged. If the car valued at \$1,000, which sold so readily in foreign countries as a result of the fall of the dollar, comes to be priced at \$1,200 or \$1,500, instead of \$1,000, the foreign dealers may not buy it, even though each dollar is easier for them to get than it had been before.

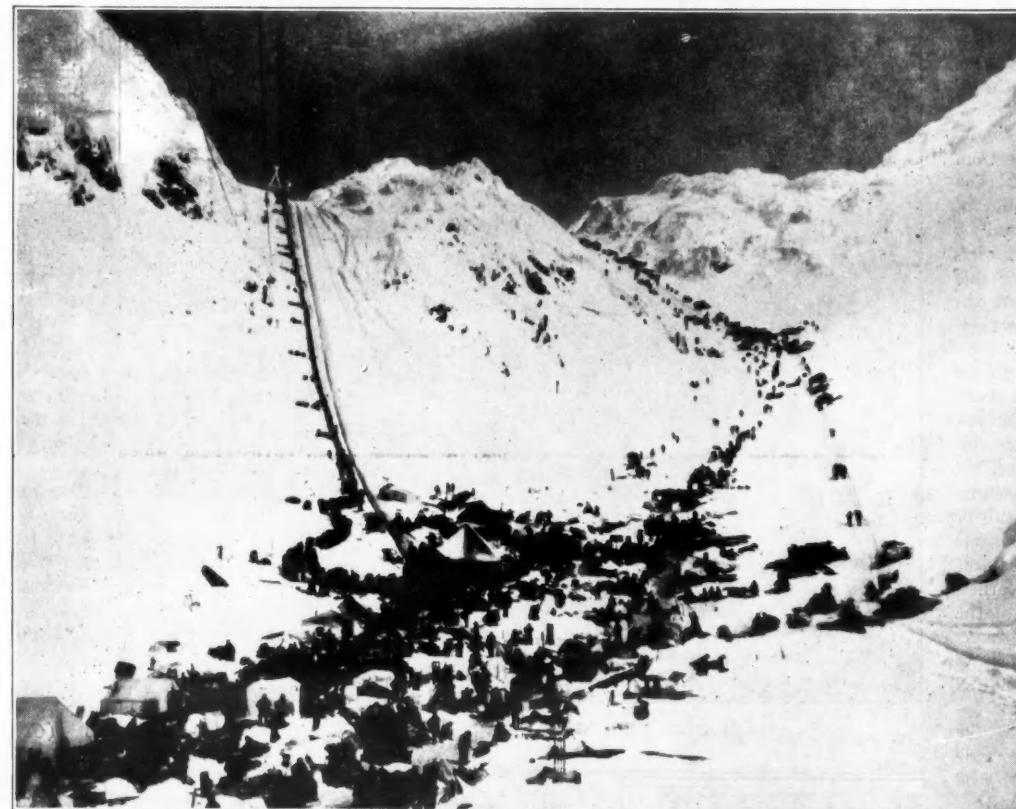
Those who support this position point to the recent experiences of our own country and other nations the currency of which has depreciated in terms of gold. Prices in those cases have risen, but to no such degree as the decline in the gold value of their currencies, as might be expected if commodity prices were governed solely by the gold value of currencies.

Moreover, these economists believe that the president's recently announced monetary policy will greatly hinder the progress of recovery. By constantly changing the value of the paper dollar, in terms of gold, the government will make people hesitant to invest their money in bonds and

other securities which do not fall due for many years lest, when these obligations mature, they might be repaid in dollars worth much less than the ones which they lent. This will hurt the industries which depend upon such long-term loans to expand their activities, such as the construction companies and the machine and other "heavy" industries.

Conflicting Views

The question as to the effects of the new monetary policy is, therefore, unanswered. Not only do people in general disagree, but, as we have already seen, economists do. Those who have specialized in the study of money and monetary matters are sharply divided. One view is that prices can be raised by the gold purchase plan, involving as it does the depreciation of the paper dollar in relation to gold. The other view is that dollar devaluation will not greatly affect the prices of commodities. A third view is that the plan adopted by the president might of itself not bring higher prices, but that, used along with the other price-raising programs which are being tried, it will help. At least the gold purchase plan is being tried, and the results will be definitely determined only after a certain period of trial.



THE GOLD RUSH OF 1898 IN THE YUKON
The federal government's offer to purchase gold at higher than market prices has brought feverish activity to gold-mining centers reminiscent of the last century.

of other commodities and that if the dollar buys fewer commodities, the commodities will naturally be higher in price. The dollar will therefore come to mean less, not only when it is used to buy gold, but when it is used to buy other things. If this should be true, dollars would of course be easier to get. People with goods or services to sell could obtain more of them. Prices would be higher and debts would more easily be paid.

An Issue Arises

But here we come to a great issue among economists. Is it a fact that you can make the dollar exchange for a smaller quantity of goods in general when you make it exchange for a smaller quantity of gold? Does the amount of gold in the dollar, or the amount of gold the dollar will exchange for, determine what the dollar is worth when it comes to buying other things? Do prices, in general, depend upon the amount of gold that there is? Some economists answer that question in the affirmative and it is these economists, such as Professor Irving Fisher of Yale, and particularly George F. Warren of Cornell, that President Roosevelt is following. These economists believe that prices go up when the quantity of gold increases. They also believe

deal of buying and selling is going on, people carry on their deals by the writing of checks rather than by the direct use of money. They also borrow and lend, thus creating credit. The checks pass as money and so money in this form increases as business demands increase, and the quantity of money in use (remembering that checks are used as money) is determined by the general state of business. When, for one reason or another, business is good, when confidence is high, when loans are therefore freely made, credit expands naturally. The argument is, therefore, that the state of business determines the quantity of money, rather than that the quantity of money determines the state of business.

The decline in the value of the dollar will not, say these economists, affect prices of goods bought and sold within the country. It does affect the sale of goods abroad. If an Englishman or a Frenchman wishes to buy American goods, he must first acquire American money, for the goods are priced in dollars and sold for dollars and must be paid for with dollars. Now these foreigners pay for the dollars with gold, or with the equivalent of gold in their own currencies. If the gold value of the dollar falls, they



Week by Week with the N. R. A.



Studies of the Government in Action



THE people, historians know well, have short memories. This is notorious, often mentioned, often forgotten. The older generation, busy with the instant need of making a living, quickly forgets the headlines of yesterday's newspapers. The younger generation, busy with its immediate interests, has slight patience with "history books."

As a result old ideas, appearing again in a new garb, are hailed as new, as marking the triumph of contemporary genius; and actions in due line of previous actions are greeted as novel and revolutionary. The tendency to celebrate the new is to be noted in the day's news, editorials, speeches, legislative acts, and books fresh from the press.

"Revolution of 1933"

This moral, long hackneyed among students of history, is applicable to what has been called "the revolution of 1933." If those negligent of history are to be believed, the United States suddenly turned at right angles from its beaten path; Congress and the president were possessed by ideas never heard of before; and the Constitution was torn up by radical legislation and administrative rulings. The policy of President Hoover was exactly reversed by President Roosevelt. In other words, runs the theory, history was made out of thin air by statesmen disassociated from the past and from the long trends of American history.

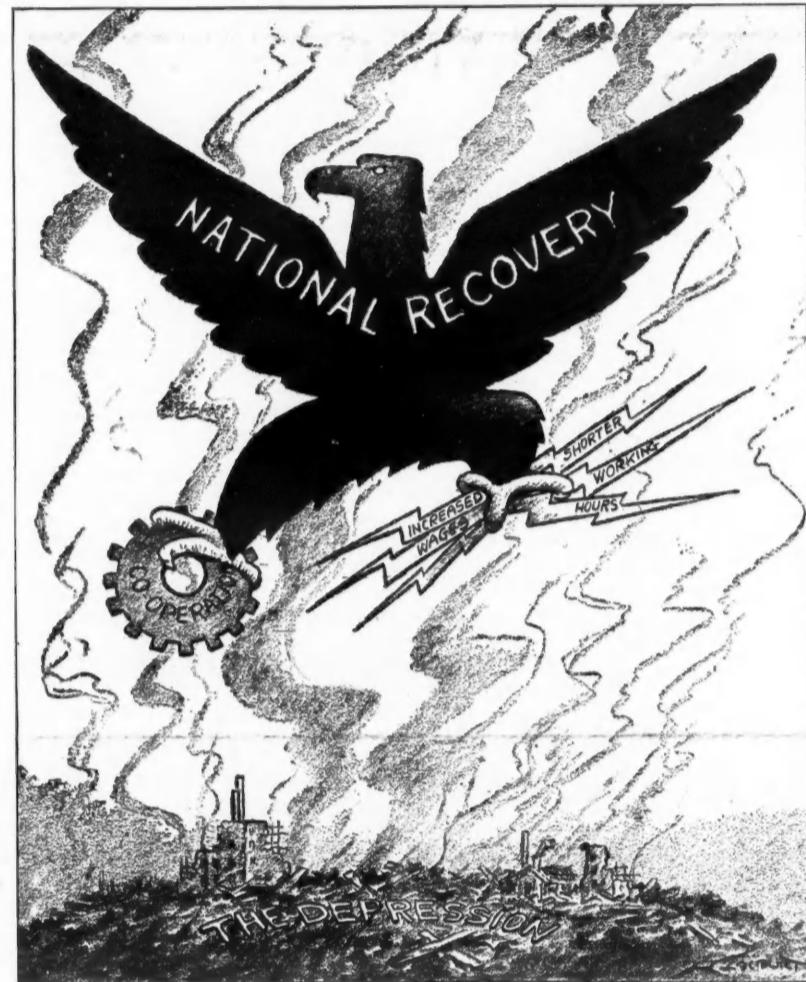
At this point the historian turns to his shelves loaded with messages of the presidents from Washington to Franklin D. Roosevelt, with congressional debates, judicial decisions, administrative orders, political speeches, party platforms, newspaper clippings, and volumes on the trends of American history. At once he connects today's startling discoveries with the ideas of day before yesterday and even earlier. Where others find sharp breaks with the past, he finds connections, and discovers that the mighty makers of new things are really the extenders and amplifiers of old things. Far from being a discouraging operation, this backward look enables the thinker to see whether novelties are made out of imagination or are really related to deep and strong trends in American practice and thought. Only in this way can current events be judged soberly.

When details are put aside, it is apparent that at the center of the Roosevelt recovery program are a few very simple, though fundamental, ideas. First of all is the assumption that business corporations, concerns, and individuals are expected to combine, adopt codes, fix standards of hours, wages, and labor relations, and accept a certain responsibility before the public for giving the utmost stability to their enterprises. The second is that American society, represented by its government, is under obligation to adopt measures designed to afford a high degree of stability in economy and offer the mass of the people access to security and to the

advantages of civilization. The third is that in time of stress large powers must be conferred upon the president to assure the realization of such purposes.

In the first of these propositions is in-

the legislation against trusts was not a whit more intelligent or effective than the medieval bull against a comet. In his annual messages as president he developed this idea and proposed the regulation of com-



RISING, PHOENIXLIKE, FROM THE ASHES
—Talbert in Washington News

volved a long discussion, extending from near the close of the Civil War, respecting the nature of growing combinations in industry and the policies to be pursued in relation to them. On the one side it was maintained that they should be dissolved, broken up, and forced into sharply competitive elements. On the other side it was maintained that combinations and efforts at stabilization were the natural outcome of competitive capitalism, and that government policy should be based upon the recognition of that stubborn fact. While he was governor of New York, Theodore Roosevelt declared that much of

binations instead of futile efforts to destroy them. In the Progressive platform of 1912 the conception was worked out in detail. Now, after a temporary return to "the new freedom" of trust dissolution under Wilson and the normalcy of Harding, Coolidge and Hoover, the United States recognizes the inexorable development of combination in industry and finds its policy of industrial recovery upon the acceptance of combination.

Social Legislation

In respect of the second principle mentioned above there is before us a great

Something to Think About

1. The purchase of gold, as it is now being practiced by the government, will raise commodity prices.
2. Why is it said that the gold-buying plan may help American export trade temporarily? Will it help permanently the prices of goods entering into world trade?
3. What harm may come from this plan, in the opinion of its opponents?
4. Would you have inaugurated the gold purchases if you had been president? What else, if anything, would you do to raise prices?
5. How does the French government differ from the American? Which do you like best? Compare the party systems of the two countries.
6. Upon what issue did the French cabinet fall? If you had been premier would you have acted as Daladier did?
7. Do you think that a teacher should have the same rights of participating in the public life that a lawyer or a doctor has? Why or why not?

8. Do you agree with the statement that people are inclined to listen to wealthy men with more discrimination than they did before the depression? Should they do so? To what extent have the captains of industry failed as leaders?

9. Do you have the sort of poise which is referred to in the first-page editorial? Think of something which worries or irritates you, and decide in your own mind what its long-time importance is to you.

10. What item of news on page three seems to you most important?

TIMELY TOPICS: (a) The President's Gold Policy Explained. *New Republic*, November 1, 1933, pp. 321-322. (b) French Budget Difficulties. *Current History*, November, 1933, pp. 222-226. (c) Chaotic Coal. *Survey Graphic*, November, 1933, pp. 539-545. (d) How the Arms Makers Work. *Forum*, November, 1933, pp. 278-284. (e) Gandhi's Rival Speaks. *Living Age*, October, 1933, pp. 146-147.

PRONUNCIATIONS: Morand (mor-ahn'-n scarcely sounded), Edouard Daladier (ay-doo-ahr dah-lah-dey'), Albert Sarraut (al-bair sah-ro'), Lebrun (le-brun'-u as in under, n scarcely sounded), Les Halles (lay ah'la—final a as in attend), Montevideo (mon-te-vee-day'o—first o as in on, first a as in attend).